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UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Six)

Docket No. RM2020-13

CHAIRMAN'S INFORMATION REQUEST NO. 3 AND NOTICE OF FILING UNDER SEAL

(Issued November 6, 2020)

To clarify the Postal Service's petition to consider proposed changes in analytical principles, filed September 15, 2020,[1] the Postal Service is requested to provide written responses to the following questions. The responses should be provided as soon as they are developed, but no later than November 13, 2020.

Most of these questions are derived from a motion filed by the Public Representative, who asserts that this additional information "will allow participants to provide more constructive comments and evaluate whether the proposal meets the applicable legal and regulatory requirements."[2]

1. Please refer to Docket No. ACR2019, Library Reference USPS-FY19-7, December 27, 2019 (FY 2019 MODS Manual), PDF file "M-32 MODS Handbook.pdf." The Postal Service states "[f]or mechanized and automated operations, WebEOR calculates [Total Piece Handling (TPH)] by subtracting the

[1] Petition of the United States Postal Service for the Initiation of a Proceeding to Consider Proposed Changes in Analytical Principles (Proposal Six), September 15, 2020 (Petition); *see* A. Thomas Bozzo & Tim Huegerich, Analysis of Labor Variability for Automated Letter and Flat Sorting, Christensen Associates, September 15, 2020 (Variability Report).

[2] Public Representative Motion for Issuance of Second Information Request, November 2, 2020, at 1 (PR Motion). The Postal Service responded to the PR Motion stating that it "believes that the proposed questions could safely be posed and answered in public documents." Response of the Postal Service to Public Representative Motion for Issuance of an Information Request, November 2, 2020, at 2. Therefore, although the proposed questions were originally filed under seal, modified versions of these questions are posed here publicly.

number of rejected mailpieces from the [Total Pieces Fed (TPF)]." FY 2019 MODS Manual at 17. Please also refer to the Variability Report that provides regression models for machine runtime and workhours as dependent variables and current and lagged TPF as explanatory variables. Variability Report at 20-21.

a. Please discuss why, in regression models used in Proposal Six to estimate variabilities, the Postal Service chose TPF, and not THP, as the explanatory variable.

b. Please discuss whether, for purposes of Proposal Six, the Postal Service tested the regression models of runtime and/or workhours with respect to TPH (instead of TPF). If applicable, please provide the results of such testing, including the program and output files.

c. Please discuss whether TPH can be calculated for operations other than those used in the regression models for DBCS, AFSM100, and FSS machine operations.

2. Please refer to Variability Report that provides regression models (2) through (5) for machine runtime and workhours. Variability Report at 20-21. These models include current and lagged TPF as explanatory variables and use monthly data by plant. *Id.*

a. For the following three variables used in the referenced regression models, $MachineRuntime_{it}$, $Workhours_{it,}$ and TPF_{it}, please discuss in detail (or provide references to the applicable documentation that discusses in detail) how the underlying raw data were collected.

b. Please confirm that a single machine runtime hours number for DBCS, AFSM100, and FSS types of machine operations is collected at the machine level each time a machine is operated.

c. If question 2.b. is not confirmed, please explain how runtime hours are collected and/or provide the detailed references to the applicable documentation.

d. Please explain (or provide the detailed references to the applicable documentation that explains) how workhours for each postal employee involved in DBCS, AFSM100, and FSS types of machine operations are computed and recorded.

e. Please confirm that TPF is compiled each time when a machine is turned on and off.

f. If question 2.e. is not confirmed, please explain how TPF is compiled and/or provide the detailed references to the applicable documentation.

g. For the following three variables used in the referenced regression models, $MachineRuntime_{it}$, $Workhours_{it,}$ and TPF_{it}, please discuss in detail (or provide references to the applicable documentation that discusses in detail) how the underlying raw data were aggregated to produce the monthly level data for DBCS, AFSM100, and FSS machine operations by plant.

3. Please refer to Variability Report that states "[t]he fixed-effects model is consistent when the latent variables are correlated with the observed variables, which is the general case. Other estimators, such as the random-effects model, may be efficient in the special case of unobserved effects that are uncorrelated with the other regressors (in which case, the fixed-effects model remains statistically consistent), but inconsistent if the zero-correlation requirement is violated." Variability Report at 20 n.9.

a. Please discuss whether it is a good econometric practice to consider testing a random-effects model when it is reasonable to conclude that unobserved variables vary over time.

b. Please discuss whether, for purposes of Proposal Six, the Postal Service attempted to measure or examine the stability of any unobserved variables (including, but not limited to managerial expertise, staffing levels, number of DBCS, AFSM, or FSS machines, or any specific socio-demographic factors) within each plant over the sample period.

Please provide the results of such analysis, if applicable, and include data, program and output files with your response.

c. If the response to question 3.b. indicates that the Postal Service had not attempted to measure or examine the stability of any unobserved variables, please discuss in detail the reasons for choosing the fixed-effects model without testing the assumptions underlying the random-effects model.

4. Please refer to Tables 3 and 4 of the Variability Report that provides "[h]eteroskedasticity-consistent standard errors…for elasticities (clustered by panel variable)." Variability Report at 22-23.

a. Please confirm that the standard errors were clustered by:

i. plant, and/or

ii. type of operations (DCSS, AFSM100, and FSS)

b. If question 4.a. is not confirmed (or partially confirmed), please discuss the clustering approach and explain why the heteroskedasticity-consistent standard errors were not clustered by plant and/or type of operation.

c. If question 4.a. is confirmed (or partially confirmed), please explain the type of the heterosckedasticity that clustering of errors by plant and/or type of machine operation attempted to address.

5. Please refer to Library Reference USPS-RM2020-13/NP1, September 15, 2020, folders "Source" and "2011_2019_raw," Excel file "opmap19.xlsx," folder "Programs and Workbook," log file "analysis_set.txt."

a. Please confirm that workhours and TPF for Management Operation Data System (MODS) operation numbers 530 and 538 were used to estimate the FSS mail processing variability. If not confirmed, please provide the MODS operation numbers that were used to obtain the required workhours and TPF.

b. Please confirm that MODS operation numbers listed in rows 1 through 9 of Table 1 below, were used to obtain workhours and TPF to estimate the DBCS mail processing variability. If not confirmed, please provide the MODS operation numbers that were used to obtain these workhours and TPF.

c. If question 5.b. is confirmed, please explain why MODS operation numbers listed in rows 1 through 9 of Table 1 below, were used in the DBCS regression models in Proposal Six.

d. Please confirm that MODS operation numbers listed in rows 10 through 34 of Table 1 below, were not used to obtain workhours and TPF to estimate the DBCS variabilities. If not confirmed, please explain how these MODS operation numbers were used to obtain the referenced workhours and TPF.

e. If question 5.d. is confirmed (or partially confirmed), please explain why all or any of the MODS operation number listed in rows 10 through 34 of Table 1 below, were not used in the DBCS regression models in Proposal Six.

TABLE 1

Row	MODS Operation Number	LDC	Description
1	271	11	DBCS/DIOSS OSS O/G PRIMARY
2	291	11	DBCS BULKY - O/G PRIMARY
3	381	11	MULTIMODE BULKY O/G PRIMARY
4	481	11	MULTIMODE O/G PRIMARY
5	891	11	DBCS/DIOSS BCS O/G PRIMARY
6	898	11	DBCS/DIOSS BCS SEC/SEG, 1ST PASS
7	899	11	DBCS/DIOSS BCS SEC/SEG, 2ND PASS
8	918	11	DBCS/DIOSS BCS DPS, 1ST PASS
9	919	11	DBCS/DIOSS BCS DPS, 2ND PASS
10	266	11	DBCS/DIOSS OCR I/C SECONDARY
11	273	11	DBCS/DIOSS OSS MANAGED MAIL
12	274	11	DBCS/DIOSS OSS I/C SCF PRIMARY
13	294	11	DBCS BULKY – SCF
14	296	11	DBCS BULKY - I/C SECONDARY
15	314	11	DBCS/DIOSS BCS INTL EXPORT PRIMARY
16	382	11	MULTIMODE BULKY O/G SECONDARY
17	383	11	MULTIMODE BULKY MMP
18	384	11	MULTIMODE BULKY SCF
19	385	11	MULTIMODE BULKY I/C PRIMARY
20	386	11	Multimode Bulky I/C Secondary
21	482	11	MULTIMODE O/G SECONDARY
22	483	11	MULTIMODE MMP
23	484	11	MULTIMODE SCF
24	485	11	MULTIMODE I/C PRIMARY
25	486	11	MULTIMODE I/C SECONDARY
26	848	11	DIOSS MULTIMODE INTL IMPORT
27	849	11	DIOSS MULTIMODE INTL EXPORT
28	892	11	DBCS/DIOSS BCS O/G SECONDARY
29	893	11	DBCS/DIOSS BCS MANAGED MAIL
30	894	11	DBCS/DIOSS BCS I/C SCF PRIMARY
31	895	11	DBCS/DIOSS BCS I/C PRIMARY
32	896	11	DBCS/DIOSS BCS I/C SECONDARY
33	916	11	DBCS/ALPS BCS DPS 1ST PASS
34	917	11	DBCS/ALPS BCS DPS 2ND PASS

Source: Library Reference USPS-RM2020-13/NP1, folders “Source” and “2011_2019_raw,” Excel file “opmap19.xlsx.”

6. Please refer to Library Reference USPS-RM2020-13/NP1, folders “Source” and “2011_2019_raw,” Excel file “opmap19.xlsx,” folder “Programs and Workbook,” log file “analysis_set.txt.”

   a. Please confirm that the following record in the referenced log file “analysis_set.txt”

      replace `var' = 0 if inlist(oper, 35, 36, 140)

      means that the workhours and TPF from the following operation numbers 35, 36, or 140 were not included in the AFSM100 regression models. If not confirmed, please explain the meaning for cited record in the log file.

   b. Please confirm that the MODS operation numbers listed in rows 1 through 3 of Table 2 below, were used to obtain workhours and TPF to estimate the AFSM100 mail processing variability.

   c. If question 6.b. is not confirmed, please explain what MODS operation numbers were used to obtain the referenced workhours and TPF.

   d. If question 6.b. is confirmed, please explain why MODS operation numbers listed in rows 1 through 3 of Table 2 below, were used in the AFSM100 regression models in Proposal Six.

   e. Please confirm that the MODS operation numbers listed in rows 4 through 31 of Table 2 below, were not used to obtain workhours and TPF to estimate the AFSM100 mail processing variability.

   f. If question 6.e. is not confirmed, please explain how these MODS operation numbers were used to obtain the referenced workhours and TPF.

   g. If question 6.e. is confirmed, please explain why each of the MODS operations listed in rows 4 through 31 of Table 2 below, was not used in this AFSM100 regression models in Proposal Six.

TABLE 2

Row	MODS Operation Number	LDC	Description
1	331	12	AFSM100 OUTGOING PRIMARY
2	146	12	AFSM 100 - ATHS/AI - I/C SEC
3	147	12	AFSM 100 - ATHS/AI - BOX SECTION
4	35	17	FLAT MAIL PREPARATION
5	36	17	FPARS PREP
6	140	17	MAIL PREPARATION ATHS/AI MACHINE
7	141	12	AFSM 100 - ATHS/AI - O/G PRI
8	142	12	AFSM 100 - ATHS/AI - O/G SEC
9	144	12	AFSM 100 - ATHS/AI - I/C SCF
10	145	12	AFSM 100 - ATHS/AI - I/C PRI
11	146	12	AFSM 100 - ATHS/AI - I/C SEC
12	147	12	AFSM 100 - ATHS/AI - BOX SECTION
13	194	12	AFSM100 - INTL EXPORT
14	305	12	FSM 1000 INTL EXPORT PRIMARY
15	332	12	AFSM100 OUTGOING SECONDARY
16	333	12	AFSM100 MANAGED MAIL
17	334	12	AFSM100 INCOMING SCF
18	335	12	AFSM100 INCOMING PRIMARY
19	336	12	AFSM100 INCOMING SECONDARY
20	337	12	AFSM100 BOX SECTION
21	401	12	AFSM 100 - ATHS - O/G PRI
22	402	12	AFSM 100 - ATHS - O/G SEC
23	404	12	AFSM 100 - ATHS - I/C SCF
24	405	12	AFSM 100 - ATHS - I/C PRI
25	406	12	AFSM 100 - ATHS - I/C SEC
26	407	12	AFSM 100 - ATHS - BOX SECTION
27	461	12	AFSM 100 - AI - O/G PRI
28	462	12	AFSM 100 - AI - O/G SEC
29	464	12	AFSM 100 - AI - I/C SCF
30	465	12	AFSM 100 - AI - I/C PRI
31	466	12	AFSM 100 - AI - I/C SEC

Source: Library Reference USPS-RM2020-13/NP1, folders “Source” and “2011_2019_raw,” Excel file “opmap19.xlsx.”

7. The Postal Service states "[t]he variabilities would apply to the mail processing portion of the cost pools' accrued costs—i.e., the total accrued costs of the pools less costs 'migrated' to other components within Cost Segment 3." Petition, Proposal Six, at 6. For each type of machine operation, DBCS, AFSM100, and FSS, please provide MODS operation numbers that contain costs/hours to which the proposed variabilities will be applied, and also explain why they will be applied. For example, for DBCS machine operations, please discuss whether and why the proposed DBCS variability will be applied to the costs/hours for MODS operations listed in rows 1 through 9 or any other rows of Table 1.

8. Please *see* Attachment, filed under seal.

By the Chairman.

Robert G. Taub